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SUBJECT: GOVERNMENT CONFIRMS COMMITMENT FOR REFUGEE HOUSING IN
VUKOVAR AREA AMID RUMORS OF BUDGET CUTS

¶1. (U) SUMMARY: Despite expected government-wide budget cuts, the GOC has said there will be no interruption of housing construction for the Vukovar area during this budget year. Returnees to this region comprise the lion's share of beneficiaries in the government's housing care program inside the Areas of Special State Concern (ASSCs or areas most affected by the war). All housing seen during a Vukovar area field visit was of high quality. END SUMMARY.

¶2. (U) On Friday, May 8, working level representatives from the European Commission, UNHCR, U.S. Embassy, and OSCE Office in Croatia visited housing care beneficiaries and housing care construction sites in the Vukovar area. Ana-Marija Radic, Head of the Directorate for Areas of Special State Concern at the Ministry for Regional Development, Forestry and Water Management, led the visit. Ms. Radic reported that 450 apartments in the Vukovar area are planned for construction during the 2009 fiscal year. Of these, 248 are scheduled to be completed within three months, and the rest are to be completed by September. Ms. Radic said the Vukovar area has 840 pending beneficiaries (former OTR holders who have been approved for housing assistance), or approximately half the pending beneficiaries for all ASSCs within Croatia.

¶3. (U) Due to the global financial slowdown, the GOC is expected to implement significant cuts across its budget, though the ministries affected and the exact amounts are unconfirmed. When asked if possible budget cuts could affect the provision of housing care in the Vukovar area, Ms. Radic said her Ministry would have enough money to finish construction planned for 2009. The 450 apartments expected to be completed by September are "covered" and any construction done after September will be in the 2010 budget. She did note that financing could be a problem the construction firms the Ministry contracts. Many are having financial troubles and the banks are unwilling to give loans. She said that this could make future construction slower than expected. However, a representative from one of the construction firms working on some of the Vukovar projects later said that the problem is not as grave as Ms. Radic implied and some of the financial problems could be lessened if they received quicker payments from the government.

¶4. (U) The delegation first visited a neighborhood with apartment buildings in various stages of reconstruction: some not yet begun, some in the middle of reconstruction, and some almost complete. The side-by-side comparison of the buildings allowed the group to see the extensive damage that existed and compare it with what will be the final product. The almost complete apartment building had relatively spacious apartments and appeared to be of a high standard.

¶5. (U) The group also visited two ethnic Serb returnee beneficiaries of the housing care program in the nearby town of Vinkovci. Both

returnees had lived in their government purchased apartments for approximately one year. The apartments appeared to be spacious, of high quality, and were located in a mixed-ethnicity apartment block in a nice residential neighborhood. The first returnee visited was a recently retired grandmother who was very satisfied with her apartment and had no complaints about the accommodations, though she did seek the Ministry's help to accelerate her son's application for housing care. The second returnee was an elderly gentleman who, though nostalgic for the pre-war days, was happy with his apartment. His apartment had the same layout as the first but lacked major kitchen appliances. He said he could not afford a stove and instead used a hot-plate.

16. (U) COMMENT: Though possible budget cuts threaten to slow down the newly accelerated pace of housing care provision, 2009 beneficiaries from the Vukovar area do not appear to be at risk. The quality of housing care provided continues to be good. Budget issues will be one of the primary issues for discussion at the next roundtable meeting between the Deputy Prime Minister for Regional Development, Reconstruction and Return and Ambassadorial level representatives from the EC, OSCE, U.S. Embassy, and UNHCR, currently expected to take place within the first two weeks of June.

BRADTKE